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RUEHDBU/AMEMBASSY DUSHANBE 0252
RUEHBUL/AMEMBASSY KABUL 2226
RUEHNE/AMEMBASSY NEW DELHI 0902
RUEHIL/AMEMBASSY ISLAMABAD 3958
RUEHLM/AMEMBASSY COLOMBO 0229
RUEHKT/AMEMBASSY KATHMANDU 0304
RUEHKA/AMEMBASSY DHAKA 0217
RUEHRL/AMEMBASSY BERLIN 1235
RUEHLO/AMEMBASSY LONDON 0935
RUEHRO/AMEMBASSY ROME 0287
RUEHNO/USMISSION USNATO 1770
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C O N F I D E N T I A L TASHKENT 000219

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TAGS: [PREL](#) [EAID](#) [ENRG](#) [ETRD](#) [PGOV](#) [PHUM](#) [AF](#) [UZ](#)
SUBJECT: UZBEKS ON REGIONAL TRADE, AFGHAN ELECTRICITY

REF: A. A) STATE 1132 (NOTAL)
B. B) TASHKENT 146 (NOTAL)
C. C) PARIS 272 (NOTAL)

Classified By: P/E Chief Ted Burkhalter; reasons 1.4 (b, d).

1. (C) Summary: SCA Special Advisor for Economic Integration Bob Deutsch met in Tashkent January 29 with senior Uzbek officials, to discuss provision of electricity to Afghanistan and prospects for this year's Trade and Investment Framework Agreement meetings. The Uzbeks underscored the importance to them of resolving water usage issues, in particular the problem of hydropower generation facilities in Tajikistan. They affirmed their intent to complete transmission line upgrades and allow the sale of electricity to Afghanistan. However, they questioned the viability of Afghan demand. The Uzbeks expressed a clear preference for holding this year's TIFA meetings in Ashgabat, vice Dushanbe. Deutsch's visit was well-timed. Following by less than a week the visit of Commander, USCENTCOM, Admiral Fallon, it has allowed the U.S. and Uzbek governments to reengage at senior levels across a spectrum of security and economic issues. The stage is now set to push for progress on political issues, including human rights. End summary.

TIFA venue and issues

2. (C) Minister for Foreign Economic Relations Elyor Majidovich Ganiev underlined the Uzbek preference for holding this year's TIFA meetings in Ashgabat (also see ref A). The Uzbeks have launched a concerted political offensive against Dushanbe, following the January opening of the new Sangtuda-1 hydroelectric power station (ref B).

3. (C) Ganiev was broadly supportive of the Trade and Investment Framework process and emphasized his desire to focus heavily on increasing U.S.-Central Asian and U.S.-Uzbek trade. He expressed pleasure at recent investments in the region by General Motors (in Uzbekistan) and General Electric

(in Kazakhstan). Interestingly, for the first time, he acknowledged difficulties in the Uzbek trade regime and said that the Government is committed to addressing these. He pointed to substantial Uzbek investment in road, rail, aviation, telecommunications and electrical generation (comment: all true), as evidence of Uzbekistan's desire to increase its attractiveness as a trade and investment destination.

Electricity for northern Afghanistan

¶4. (C) Deputy Prime Minister for Fuel and Energy Ergash Rakhmatullayevich Shaismatov and Minister Ganiev both confirmed Uzbekistan's commitment to complete a new 45 kilometer electrical transmission line in southern Uzbekistan by year's end. The line, running to the Afghan border, will be built by the Uzbeks and financed by the Afghans at a cost of 12.5 million USD. It will be capable of delivering up to 300 MW of electricity to northern Afghanistan. The pricing information tracked with information provided earlier in the day by Afghan Ambassador Mohammad Farooq Baraki.

¶5. (C) Shaismatov said his engineers were working with the Afghans to calculate design parameters. He said that once this was done, the 45 kilometer line could be built inside of nine months. He questioned the ability of the Afghans to deliver even 150 MW electricity to market and hoped that they could complete a new 434 kilometer transmission line connecting Mazar to Kabul on schedule, by October. He also noted that Uzbekistan can currently deliver up to 70 MW to Mazar-e Sharif but that the Afghans are only purchasing 25 MW.

¶6. (C) Shaismatov confirmed that the price for future sales of electricity would fluctuate, according to costs. Uzbek electricity is primarily natural gas generated and is more expensive than competing Tajik or Kyrgyz power, he said, but he added that Uzbekistan was not out to bilk the Afghans. Shaismatov's pricing information tracked with that provided earlier in the day by Afghan Ambassador Mohammad Farooq Baraki. Shaismatov said the Uzbeks would be willing to consider a currency basket pricing formula.

Telecommunications

¶7. (C) Deputy Prime Minister for Information and Telecommunications Abdulla Nigmatovich Aripov provided Deutsch with an update on Uzbekistan's evolving telecommunications infrastructure. Uzbekistan has laid over 11,000 kilometers of fiber optic network, including a stretch of the Trans-Asia-Europe (TAE) fiber optic cable laid in 1997. The TAE cable connects Uzbekistan to Frankfurt on one end and to Shanghai on the other. He said that Uzbekistan is in discussions with its neighbors on enhancing existing connectivity and building redundancy. Uzbekistan, he said, would be very interested in any proposal to link India to China, Russia and Europe via Central Asia. He thought Afghan security remained an impediment to such projects but would consider a U.S. proposal. He also noted that Uzbekistan and Afghanistan have an interconnectivity agreement. Uzbekistan, he said, is willing to provide any service for which its neighbors can pay. In response to a question from Deutsch, Aripov also noted that, while various Uzbek utilities and railroads own their own networks, they are unwilling to guarantee universal access and hence are not allowed to enter the commercial market here.

Hydropower and regional water tensions

¶8. (C) Shaismatov and Ganiev both underscored Uzbek objections to the January opening in Tajikistan of the Sangtuda-1 hydroelectric generating station (ref B). Their bottom line: the Tajiks have to address internal inefficiencies and reach a political understanding with Uzbekistan before any discussion of new plant construction

takes place. Ganiev also made clear that with next-generation facilities and upgrades, Uzbekistan would be in a position to provide additional power to its neighbors. He asked that the U.S. assist in speeding up delivery of backlogged General Electric turbines.

Comment

19. (C) On the heels of Admiral Fallon's January 24 visit to Tashkent to discuss regional security, Special Advisor Deutsch's meetings provided an important opportunity for the U.S. to engage senior Uzbek officials on economic issues and round out the dialogue on Afghanistan (covering the economic as well as the security dimensions). The caliber of these discussions was substantive and reflected real give and take, in contrast to set-piece presentations that often characterize the Uzbek side. We are not yet at the verge of a breakthrough in U.S.-Uzbek relations, but the tone is getting better. This should help as we come to grips with the really tough issues on our political agenda, namely democratic reform and human rights.

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